(b) if so, the details thereof and the States which have made demands in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) The State VAT, being a tax on sale or purchase of goods within a State, is a State subject by virtue of Entry 54 of State List of the Constitution of India. An Empowered Committee of State Finance Ministers (EC) has been constituted to deliberate upon and decide all matters concerning State VAT. The EC has decided the design of VAT (including the structure of rates of tax on various commodities) under the State VAT. The VAT implementing States are broadly following the tax structure decided by the EC. VAT being a State subject, it is entirely for the EC and the States to decide the structure of tax rates under VAT. The Central Government is not considering formulation of any National Policy on this issue and no State has made any such demand.

Budget allocation compensating States due to VAT

787. SHRI C. PERUMAL: Will the Minister of FINANCE be pleased to state:

(a) the details of budget allocation for compensating States which have suffered losses due to Value Added Tax in 2006-07;

(b) whether budget allocation would be sufficient to meet the State losses;

(c) if not, the reasons therefor; and

(d) how it is proposed to meet the demand?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) The budget allocation for providing compensation to States for revenue loss on account of introduction of VAT is Rs. 2,990 crores for the year 2006-07.

(b) and (c) The budget provision for 2006-07 would not be sufficient in view of compensation claims for a substantial amount, relating to the year 2005-06, having been received during 2005-06. The amount involved in these claims is much higher than what was estimated at the time of finalization of budget estimates for 2006-07. Out of these claims, claims for a total amount of Rs. 1695.37 crores have already been settled.

(d) The additional requirement is proposed to be met by seeking sanction of supplementary grant.

Setting up of Banking Ombudsman

788. SHRI C. PERUMAL: Will the Minister of FINANCE be pleased to state:

(a) whether banking ombudsman have been set up in all State-capital;

(b) if so, whether it is proposed to set up ombudsman in important cities, atleast cities having a population of more than one million also;

(c) if so, the details thereof; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (d) Reserve Bank of India (RBI) have reported that the Banking Ombudsman have been presently set up in 15 centres *i.e.* at Ahmedabad, Bangalore, Bhopal Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, New Delhi, Patna and Thiruvananthapuram. The area of operation of Banking Ombudsman under each jurisdiction has been designed such as to cover that particular State and the neighbouring States as per territorial convenience. The areas covered by each Banking Ombudsman are available in RBI website www.rbi.org.in.

At present there is no proposal to increase the number of Banking Ombudsmen. The Banking Ombudsman Scheme has been proposed as an alternate dispute redressal mechanism. The first point of redressal for each customer will be with their respective banker and those complaints which are not resolved at the bank's level are expected to percolate to the Banking Ombudsman level.